

Comments on Tax Reform – David Victor

I am a dual US/Canadian citizen who was born to an American mother and US father in Toronto, Canada. I am 38 years old. I hold an MBA degree from the University of Toronto and a JD degree from Queen's University (located in Kingston, Ontario). I am also a Chartered Accountant (Canada's leading accounting designation) and have been called to the Ontario Bar.

Until 2014, I had very little connection to the US and had not been resident at any time. In 2014 I lived and worked in California in an attempt to live closer to my younger brother who moved to San Diego to accept an engineering job after graduating with a PhD from the University of Toronto. When I was in California I quickly realized the company I was working for would not be providing the kind of career development I desired. When I began to search for other opportunities, it quickly became very apparent that my best (and perhaps all) opportunities were back home in Toronto where I was educated and trained. Based on the complete lack of responses I was getting in my job search, it became clear that my education/qualifications do not carry the same weight in the US. Unfortunately my professions do not make me as internationally mobile as engineering. Therefore, given I am just in the first few years of my career at a rather late age, with significant student debt and little savings and assets, I felt I had no choice but to move back to Canada.

Unfortunately, returning to Canada means I am once again subject to two often unaligned tax regimes (when I was in the US, I did not have to file taxes in Canada, because I had no Canadian-sourced income and Canada, like all other developed countries in the world besides the US, taxes people based on residency). This means I have to avoid many investment products and vehicles in my home country.

Canada is a high tax country and also has a higher cost of living than the US. Combined rates for individuals (there is no married-filing-jointly option; income splitting is highly restricted in Canada) in Ontario top out at 47.97% at just \$120,000 USD (\$150,000 CAD) and 49.53% at \$176,000 USD (\$220,000 CAD). To give some tax relief to people and encourage savings, the Canadian Government has created many vehicles for saving. The Tax Free Savings Account (TFSA) is one such vehicle I'd like to use to help save for my first home. It allows after-tax dollars to be invested and the gains are tax free. Currently Canadians can invest up to \$36,500 in a TFSA with a CPI-adjusted \$5,500 in contribution room added each year. This annual contribution room is also expected to double in 2016. TFSAs are not recognized by the US tax code and therefore the income generated in them is taxable by the US. They also created a requirement to fill out lengthy, time-consuming IRS forms to report TFSA income. This severely limits my ability to save and invest to meet my life goals.

Other significant restrictions I face as a result of being a dual US citizen in Canada are that I cannot invest in Canadian-based mutual funds or exchange-traded funds, two of the most popular and effective investment vehicles, due to the PFIC rules. Even worse is that now US mutual fund companies are refusing to allow non-resident US citizens to invest in US-based mutual funds. Capital gains on the sale

of a person's principal residence are exempted in Canada and mortgage interest is not deductible in Canada, this creates double taxation. The system is *broken*.

I had no choice in becoming an American citizen and definitely have far stronger ties to Canada where I was born, raised, educated and now live and work. And I am significantly disadvantaged by the restrictions and unresolvable tax and financial planning problems resulting from the requirement that I be subject to the US tax system while a non-resident with no significant ties to the US. It is extremely unfair that just by virtue of a second citizenship received at birth, I am significantly disadvantaged versus other Canadians in terms of saving, buying and selling a principal residence, retirement planning, etc.

I implore you to please adopt the Residence-based taxation (RBT) system which has been advocated by American Citizens Abroad and many other professionals and academics. It is a win-win solution for the US treasury and US citizens living abroad who are being suffocated by the current system